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LOCAL CONDITIONS—BAROMETER OF CHINESE CIVIL STRIFE

SHANGHAI—American discussion of Chinese politics usually revolves about the problem of negotiations between the Kuomintang and the Chinese Communists, almost to the exclusion of other aspects of the Chinese internal political scene. This tendency has been particularly marked in the months since General Marshall came to China, for the first half of 1946 has seen the conclusion of the Political Consultative Conference agreements in January; the military reorganization accord in February, and the subsequent failure to execute these decisions; the outbreak of large-scale warfare in Manchuria; and the recently announced fifteen-day truce, which has now expired without a settlement. Everything has seemed to hinge on whether a satisfactory verbal agreement can be reached, and things have seemed to be going well or badly according to the progress of discussions on political and military formulas of national scope.

LOCAL POLITICS ALSO CRUCIAL. Unquestionably China is urgently in need of centrally-concluded agreements among the Kuomintang, Communist Party, Democratic League and other groups; and no leader conscious of the country's deep desire for peace will leave any stone unturned in the effort to achieve unity through discussions in Nanking. But what is abundantly clear in China, and far more difficult to appreciate at a distance, is the fact that the political situation here consists of much more than inter-party negotiations. Day in and day out, in hundreds of large and small cities and thousands of villages, actions are taken which determine the fundamental political atmosphere of the country. Democratic resolutions drawn up in the national capital can hardly be worth the paper they are written on unless the political life of local communities is reasonably consistent with the idea of

democratic unity. As a result, the possibilities of establishing an all-party government in China can probably be observed more clearly by turning the microscope on local conditions than by focusing attention on wider aspects of Communist-Kuomintang rivalry.

Recently the dominant political tendency in the leading urban centers has been toward increasing control of the thoughts and actions of the individual citizen. In such widely-separated cities as Canton, Sian, and Chengtu the offices of liberal newspapers have been attacked and damaged by anonymous bands, whose members have gone unpunished. The tension has probably been greatest in Sian, leading city of the Northwest, where a liberal newspaper, whose office was first attacked and later literally besieged, suspended publication. The editor of another Sian newspaper was shot to death in the streets.

One of the chief hurdles facing any new publication is the problem of registration, for without official permission from the Bureau of Social Affairs publication is illegal, although newspapers and magazines may generally be issued for the brief period in which permission is pending. Recently in Peiping over seventy publications were banned, and the local Publishers Federation subsequently issued a statement, protesting against the general difficulties faced by the press throughout China. The demand was made that persons involved in physical attacks on newspaper offices be severely punished and that the local authorities be held responsible. Of the publications recently banned three were issued by the Communists, while the rest have represented other points of view. In general, it is clear that while the system of direct press censorship was abolished in China some time ago, the problem of press freedom remains a significant one.

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POLICE CONTROL IN SHANGHAI. In May it became known that the Shanghai Municipal Police Bureau was planning to inaugurate a police-control system under which police officers would be assigned to supervise a specific number of households, with the right to enter any private residence or commercial store in their area at any time of day and as often as might be considered necessary. This system went into effect on June 1 in one district of the city and is to be extended to others, although it has met with sharp local criticism. That the development is more than a Shanghai phenomenon was indicated in the middle of May, when enforcement of police control began in Nanking. In the capital, according to the *Ta Kung Pao* of May 17, a census registration system was also being enforced in the Nantung district, where residents were required to report to the authorities whenever changing their dwelling place. If any resident failed to make such a report, not only was the head of the particular family to be punished, but all families involved in the "joint bond" were also to be punished. (This refers to the fact that a group respon-

sibility system in political and social matters is in widespread operation in Central Government territory.)

CIVIL WAR ATMOSPHERE. Many foreigners and Chinese interpret these developments as fundamental symptoms of a civil war atmosphere—symptoms which are just as significant as the clashing of rival armies in civil strife. It is clear that if General Marshall, despite the events of recent months in Manchuria, is still able to achieve some results on a diplomatic level, the effects are likely to be illusory in the face of the existing local political situation. For it is impossible to bring about coalition government as long as the members of the proposed coalition cannot express themselves equally in places like Shanghai and Peiping. Local conditions may therefore be taken as a barometer of China's political weather. Americans will do well to pay increasing attention to this barometer and not to allow their attention to be focused solely on the issue of reaching political and military formulas.

LAWRENCE K. ROSINGER

THREAT OF U.S. INFLATION IMPEDES MOVE TO END STATE TRADING

In a message to Congress accompanying his veto of the bill which would have extended price control beyond June 30, President Truman stated that he had no alternative since approval of the bill would have been tantamount to legalizing an inflationary upsurge of prices. There is no assurance at present that the Senate will approve a revised bill that would afford the degree of price control which the President and his advisers consider indispensable if we are to avoid an inflationary boom and collapse. Economists are agreed that an alarming inflationary gap exists in the American economy, as indicated by the tremendous volume of purchasing power and the failure to date of production to match demand. All signs today point to a rising trend of prices, which apart from its impact upon the domestic consumer, must certainly be a source of grave concern abroad. Faced with the prospect of steadily rising prices for imports from the United States, other countries will probably be unwilling to revert quickly to private trade, as they have been requested to do by the State Department. On the contrary, state purchasing missions may well be considered an unavoidable device to procure the maximum of essential imports in exchange for a decidedly inadequate supply of dollars. Price inflation in the United States will unquestionably be a setback to other nations seeking to rehabilitate their economies.

STATE TRADING RESULT OF ECONOMIC EMERGENCY. Fifteen countries, including Russia, have purchasing missions in the United States. The Russian buying organization was set up long before the war; all other missions were organized during

the war and served as central agencies to prepare estimates of requirements, particularly in connection with lend-lease. They also bought in the open market essential civilian goods, and for their entire procurement program arranged supply priorities and shipping space. They were originally, therefore, an integral part of the war economy and so useful that their formation was encouraged by the United States. Since the end of the war some of the functions of the missions have ceased; on November 2, 1945, procurement facilities of the United States government were closed to them. Buying programs incident to plans for rehabilitation and reconstruction, as well as purchases in connection with the lend-lease "pipe-line" have, however, resulted in a continued large volume of transactions by these missions.

Continuance of state trading for the time being is a matter of necessity rather than free choice. Foreign economies were greatly disrupted by the war, and in varying degrees impoverished. Relief and rehabilitation are on so vast a scale that a return to private trade has not been possible. Shortage of foreign exchange—especially dollars—and the disorganized condition of trade and business, reflected in rising prices, have compelled retention of wartime controls, in the absence of which a country's limited resources might be dissipated in purchase of non-essentials. Moreover, private trade cannot be restored until workable systems of import priorities through licensing individual importers have been established. State trading in the output of nationalized industries will undoubtedly continue.

BRITAIN CONTINUES BULK BUYING OF COTTON. Parliament on March 28 approved the decision of the British Board of Trade to close the Liverpool Cotton Exchange permanently and retain the system of bulk buying through the Cotton Import Board, which was established at the beginning of the war. The British thereby decreed the demise of a private trading organization that for several decades has been a center of world trade in cotton. Whereas spinners formerly protected themselves from price fluctuations by dealing in futures on the Liverpool exchange, henceforth trading risks will continue to be borne by the government. Sellers of cotton, for their part, must do business with a single buyer in the British market. Britain is engaged in similar state trading in other commodities—sugar, paper, sisal, timber and food; but the decision on cotton has peculiar significance since it permanently closes a market hitherto frequently traded in by nationals of other countries.

The government justified its decision in terms of national interest, and rejected the criticism expressed in some quarters that the program violates the spirit of the American loan agreement. There are some indications, however, that the British may not have purely economic considerations in view. The editors of *The Manchester Guardian*, endorsing the permanent suspension of private trade in cotton, stated frankly that "With our overseas obligations as they are it may well happen, unfortunately, that our purchases of cotton may sometimes be dictated by other than the purely economic considerations which have governed them in the past."

FRENCH PROMISE RETURN TO PRIVATE TRADE. Although both Britain and France have nominally socialist governments, the French unlike the British have indicated a desire to restore private trade as soon as it is feasible. As early as September 1945 the Provisional government authorized a limited return of trade with the United States to private channels. It was made clear, however, that the bulk of French imports would continue to be handled by the government, a policy dictated by the large

import requirements of the five-year reconstruction program. In the meantime, resumption of private trade will be facilitated by formation of import groups, industry by industry, under direction of the government. These *groupements* will engage in bulk buying in their particular fields, and are therefore just as capable of making exclusive purchase contracts as are state trade agencies. Their potentialities in that respect were recognized in the recent credit negotiations; accordingly, in section IV of the loan agreement of May 28, *groupements* were given a temporary status, to be abolished as soon as difficulties of transport and distribution in France have been overcome. The French also agreed to continue curtailment of government procurement in the United States.

HAROLD H. HUTCHESON

(The first of three articles on postwar commercial policy.)

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Population and Peace in the Pacific, by Warren S. Thompson. Chicago, University of Chicago Press, 1946. \$3.75

Believing that the development of the Pacific peoples in the next few decades may determine whether we will have a third world war, the author analyzes in detail the heavy population pressures throughout most of the Far East and pleads for the ending of European control of Far Eastern resources.

Japanese Militarism: Its Cause and Cure, by John M. Maki. New York, Knopf, 1945. \$3.00

An enlightened discussion by a Japanese-American, based on the view that the elimination of Japanese aggression will be achieved "only when the political, economic, and social conditions that have created Japanese militarism and aggression have been eliminated." The historical sections, presenting the long-term background of the Japanese state are especially useful.

International Investment and Domestic Welfare, by Norman S. Buchanan. New York, Henry Holt & Co., 1945. \$3.75

This book admirably sets forth the pros and cons of international investment, particularly the post-war prospects. The subject is treated in a nontechnical manner, and is developed from the point of view of the United States as the leading creditor nation. The author minimizes the importance of foreign lending in the maintenance of a high level of income in the United States. He states clearly the implications of large post-war loans, concludes that such a program may not be desirable for several reasons and outlines alternatives.

A Cartel Policy for the United Nations, by Corwin D. Edwards and others. New York, Columbia University Press, 1945. \$1.25

A series of five lectures delivered last year at Columbia University on American policy toward cartels, the attitudes of other countries, and the possible effects of cartels on world security and full employment.

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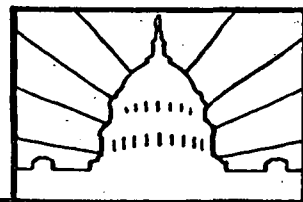
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Washington News Letter



WILL BIKINI TESTS STRENGTHEN BARUCH'S EFFORTS TO CURB VETO?

However useful the testing of atomic power at Bikini Atoll on June 30 may prove to scientists and military strategists, the vast experiment will be fully justified only if it focuses world attention on the importance of controlling atomic energy. To no group will the findings at Bikini be more crucial than to the individuals charged with framing foreign policy of the great powers. In the case of America this means the United States Senate, as well as the White House and the State Department. Since Bernard Baruch's presentation on June 14 of this country's proposals to the United Nations Atomic Energy Commission, members of the upper house in Washington have been considering whether they want to change their attitude toward the use of the veto power in deliberations of the Security Council. For the ultimate fate of the Baruch plan depends not alone on whether the United Nations accept it, but on whether the Senate approves it. Baruch said that the United States decision within the Atomic Energy Commission would be "subject, of course, to our constitutional processes." The Constitution requires that treaties have the approval of two-thirds of the Senators voting before this country becomes a party to them.

SENATE AND VETO. Baruch has forced both the UN and the Senate to reconsider the veto by telling the Atomic Energy Commission that "there must be no veto to protect those who violate their solemn agreements not to develop or use atomic energy for destructive purposes." At the San Francisco Conference of the United Nations, the United States delegation insisted that the Charter contain the veto because President Truman and Secretary of State Edward R. Stettinius, Jr. feared that the Senate would reject a Charter lacking a veto, which the Senators on the United States delegation regarded as a device for protecting American sovereignty.

Despite occasional public statements from a few of their colleagues in favor of some limitation of national sovereignty (like that made to the Foreign Policy Association by Senator Fulbright, Democrat, of Arkansas, last October 20), most Senators have continued to favor the maintenance of the veto power. Uncertainty about the reception which one-third plus one of the Senators would give to his veto proposal will weaken Mr. Baruch's argument before the Atomic Energy Commission. President Truman on June 28 pledged his full support to Baruch, and on the same day Baruch announced

that only Russia, Poland and the Netherlands among the 12 members of the Commission were not wholly in agreement with the 20 key points of the American plan.

BIKINI AND SENATE. Since the dropping of the atomic bombs last August on Hiroshima and Nagasaki, Senators have found that a large part of the public is apathetic about the whole issue of atomic energy. Now that new tests of the use of atomic bombs at sea have begun, there may be a revival of interest in the crucial problems which confront members of the Atomic Energy Commission. While many Americans have criticized the tests as an unhappy attempt to display American might before the rest of the world, they can serve a useful purpose if the United Nations are reawakened to the awful destructive implications of warfare fought with atomic weapons. It is doubtful, however, whether the first of the Bikini tests will serve this purpose. The final results of the Bikini experiment cannot be known for several weeks. In comparison to the damage already wrought in Japan and that which is likely to follow from an underwater atomic explosion, planned for the near future, the June 30 results may appear negligible.

As yet neither the Baruch proposals nor suggestions made by Russia for outlawing atomic weapons have been explained clearly to the general public. Mr. Baruch's insistence that quick and certain punishment be meted out for any violations having to do with the manufacture of atomic bombs indicates that no nation should have "veto" rights in an Atomic Development Authority, yet to be established. In so far as the United States plan has been clarified, however, Baruch's suggestion relates to the abandonment of the veto power in the Security Council on atomic energy matters. This would in effect necessitate amendments to the United Nations Charter about the Security Council's veto arrangements, which exist in any case only for the five permanent members. The question of the veto has already plagued other deliberations of the Security Council; and during the New York sessions of the Council it has become more than ever apparent that the danger of war itself must be eliminated. Many Senators hold this view, and in this they join with Russia—as they did at the time of the San Francisco Conference—believing that improvement of political relations among the major powers is the great question of the hour.

BLAIR BOLLES